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CENTRAL INTELLIGENCE AGENCY

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State Department review
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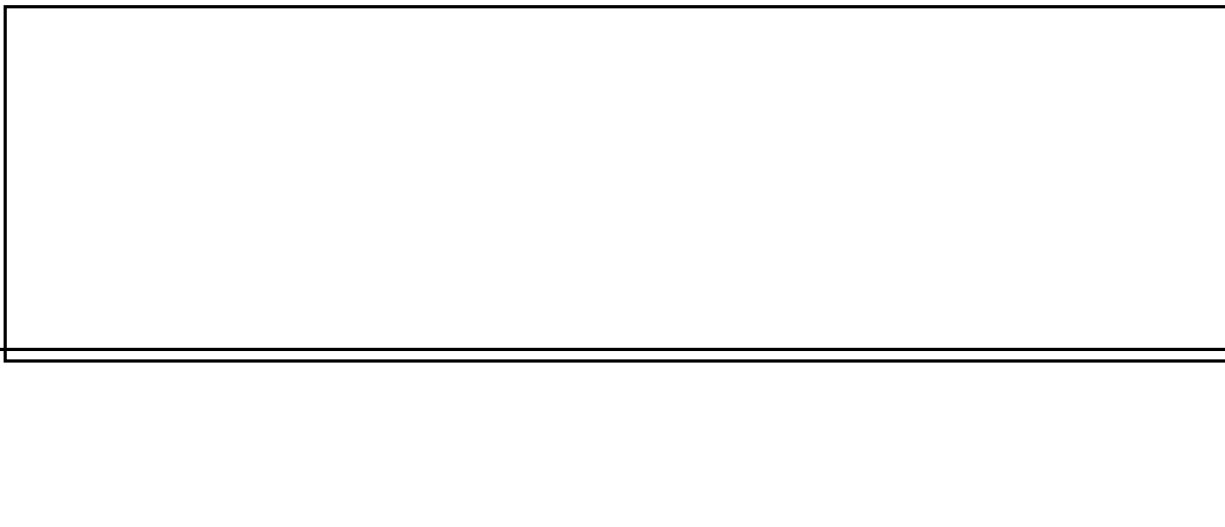
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NEAR EAST - AFRICA

3. Egyptian King reportedly dissatisfied with Prime Minister Ali Maher:

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King Farouk, according to a palace adviser, is dissatisfied with the lack of progress being made toward a solution of the Anglo-Egyptian dispute. As a result, Prime Minister Ali Maher

may be forced to resign unless he is prepared to take more positive action against the influential Wafd Party.

Amr Pasha, another palace adviser, has stated that Farouk is determined that those responsible for the 26 January riots be punished, that there be a showdown with the Wafd, that Parliament be dissolved, and that a reasonable agreement with Great Britain be accomplished.

Comment: King Farouk is reportedly anxious to seize the present opportunity to weaken the Wafd's political power. Ali Maher, in turn, is said to oppose acting too quickly against the Wafd because of the strength of this majority party.

Current indications are that if an Anglo-Egyptian settlement continues to be delayed, the King may install a new government — possibly headed by former Wafdist leader Hilali — in order to achieve more rigorous measures against the Wafd as well as to bring about the dissolution of Parliament.

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EASTERN EUROPE

4. Government irritated over tripartite opposition to Yugoslav capital investment program:

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[REDACTED] The Yugoslav Government has decided to proceed with its capital investment program in its present form in spite of the refusal of the United States, France, and Britain to provide financial assistance for the program. Yugoslav economic officials charge that this refusal represents interference in Yugoslavia's internal affairs. They claim that the capital investment program is absolutely necessary to solve Yugoslavia's balance of payments problem, finish its uncompleted plants, and combat Cominform propaganda that Yugoslavia is lagging behind the Satellites in industrialization.

Comment: In mid-February the United States, Britain, and France refused a Yugoslav request for approximately 80 million dollars to finance capital goods imports. The Yugoslav Government was informed that the tripartite aid program is intended only to finance Yugoslavia's current account trade deficit and that it should look to the International Bank to finance its capital goods imports.

The completion of the capital investment program would serve to reassure Yugoslav Communists that the building of socialism remains the principal objective of the regime.

WESTERN EUROPE

5. Benelux dissatisfied with German financial contribution to the European Defense Community:

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[REDACTED] In their meeting with the United States, British and French Foreign Ministers at Lisbon on 26 February, the Belgian and Dutch representatives stressed the importance they attach to the principle that the German financial arrangements for defense should not result in additional burdens on other Defense Community countries. The Dutch Foreign Minister emphasized the importance of using the German contribution to build up German military strength.

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Comment: When the Defense Community comes into effect, the West German contribution to Community forces, which is a part of its over-all defense contribution, will be about 812 million dollars for the first year of the plan's operation. Both the US High Commissioner and the Germans tentatively estimate that the cost of building up German contingents will exceed this figure. The Benelux countries are concerned over the possible loss to them of American military assistance if the United States should attempt to meet the German deficit in the Defense Community.

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